

**MINUTES
REGULAR MEETING
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**Friday, April 21, 2006
8:30 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Dr. Keith Meredith, Chair of the ASRS Board, called the meeting to order at 8:35 a.m., MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Dr. Keith Meredith, Chair
Mr. David Byers
Mr. Jaime Gutierrez
Mr. Chris Harris
Ms. Anne Mariucci
Mr. Lawrence Trachtenberg

Absent: Mr. Karl Polen, Vice Chair
Mr. Michael Townsend
Mr. Steven Zeman

A quorum was present for the purpose of conducting business.

2. Approval of the Consent Agenda

Motion: Mr. Jaime Gutierrez moved to approve Refunds, Death Benefits and Retirements;

And

Approve the System Transfers;

And

Approve the minutes of the March 17, 2006, Regular Session, Special Session and Executive Session of the ASRS Board;

And

Approve the Applications and Agreements with the Following Employers;

- Franklin High School (effective July 1, 2006)
- New Century Ed. Management Svcs., Db. Pillar Academy for Business & Finance (effective date May 1, 2006)

Mr. Larry Trachtenberg seconded the motion.

By a vote of 6 in favor, 0 opposed, 0 abstentions, and 3 excused, the motion was approved.

3. Approval, Modification or Rejection of Recommended Administrative Law Judge's Decision Regarding Nancy Topoozian

Ms. Topoozian addressed the Board regarding her appeal. She stated her opinion that she had turned in all paperwork regarding her service purchase request in a timely manner and all delays were due to the ASRS losing paperwork or taking too long to process paperwork.

Mr. Dave Byers asked Ms. Topoozian if she had any new information to present to the Board that the Administrative Law Judge didn't hear during her hearing. Ms. Topoozian stated that the only new information was that she was unable to travel to the ASRS on Fridays to turn in paperwork due to the fact that she was out of town on those days.

Motion: Mr. Jaime Gutierrez moved to accept the decision of the Administrative Law Judge.

Mr. Larry Trachtenberg seconded the motion.

By a vote of 6 in favor, 0 opposed, 0 abstentions and 3 excused the motion was approved.

4. Presentation, Discussion and Appropriate Action Regarding 2006 ASRS Legislation

Ms. Shirley Gunther, Government Relations Officer, presented the current status of ASRS legislative initiatives. The Board was updated regarding HB 2082, HB 2101, HB 2103, HB 2105, HB 2136, HB 2335, HB 2340, SB 1167, SB1168, and SB 1169.

5. Presentation, Discussion and Appropriate Action Regarding the Reallocation of International Equity Assets from Core Passive (BGI) to a Different Growth Active Investment Manager(s)

Mr. Gary Dokes, Chief Investment Officer, addressed the Board regarding the reallocation of International Equity Assets from Core Passive (BGI) to MFS (active core/growth), and Hansberger Global Investors (active growth). During the mid-2005 International Equity manager search, the search committee identified New Star as a potential ASRS manager. However, due to rapid asset growth, the Committee decided to postpone funding and re-evaluate the firm during the first quarter of

2006. The potential funding of \$250 million is currently invested with BGI. New Star significantly underperformed the MSCI All Country World ex-U.S. index during the third and fourth quarters of 2005. In addition, New Star continues to have infrastructure issues regarding rapid asset growth. Because of the Investment Management Division's (IMD) review of New Star, a recent research report by R.V. Kuhns, and discussions with another investment consultant, IMD lacks confidence in New Star's ability to add value in the future.

Motion: Mr. Larry Trachtenberg moved to allocate pro-rata approximately \$250 million to MFS, active core/growth, and Hansberger Global Investors, active growth, from BGI, passive core.

Ms. Anne Mariucci seconded the motion.

By a vote of 6 in favor, 0 opposed, 0 abstentions, and 3 excused, the motion was approved.

6. Presentation, Discussion and Appropriate Action Regarding International Equity Managers Reporting on the Quarter Ending 12/31/05

Mr. Gary Dokes, Mr. Dan Kapanak, Manager of Research and Development, Investment Management Division, and Mr. Terry Dennison, Principal, Mercer Consulting, addressed the Board regarding the International Equity Managers Reporting on the Quarter Ending December 31, 2005. As of February 28, 2006, the total market value of the ASRS International asset class was \$3.8 billion, or approximately 16% of the ASRS total fund. The International Equity Asset Class policy target/range is 15% \pm 5%.

ASRS International Equity Managers Mandates

Manager	Style	Benchmark	Inception	Fee (bp)	Expected Alpha (bp)	Portfolio Assets (\$mil)*	Strategy Assets (\$mil)*
Active							
Brandes	Value	MSCI ACWI	9/30/98	37	250	\$1,334.4	\$44,805
MFS	Core with Growth	MSCI ACWI	7/31/05	35	200	\$563.8	414,260
Hansberger	Growth	MSCI ACWI	7/31/05	35	300	\$462	\$2,172
AXA Rosenberg	Small Cap	MSCI EAFE Small Cap	8/31/05	70	400	\$266.4	\$5,497
DFA	Small Cap	MSCI EAFE Small Cap	8/31/05	70	400	\$129.4	\$4,453
Enhanced Passive							
BGI Alpha Tilts	Core	MSCI ACWI ex-US	9/30/05	35	100	\$715.6	\$74,202
Passive							
BGI	Core	MSCI EAFE	5/31/96	5	0	\$212.7	\$74,202

7. Director's Report

Mr. Paul Matson, Director, asked Mr. Anthony Guarino, Deputy Director, Chief Operations Officer, to comment on performance quality and member satisfaction criteria within the operations report. Mr. Guarino stated that the difference between call quality and member satisfaction is that the call quality report specifically addresses the performance of individual advisors while member satisfaction surveys try to elicit a member's overall impression about calling the ASRS. Mr. Guarino also stated that on the future member satisfaction surveys the rating scale has changed from a five point scale to a four point scale which takes away the option for a neutral answer, prompting the member to choose either a satisfied or dissatisfied answer on the survey.

8. Possible Presentation Regarding Board Committee Updates

Mr. Jaime Gutierrez, Chair, External Affairs Committee stated that he expects sine die to occur sometime in May.

Mr. Larry Trachtenberg, Chair, Investment Committee, stated that there would be a Special Meeting of the Investment Committee May 2, 2006, to meet with the new real estate consultants.

9. Board Requests for Agenda Items

There were no requests for agenda items.

10. Call to the Public

No members of the public requested to speak.

11. The next ASRS Board meeting is scheduled for Friday, May 19, 2006, at 8:30 a.m., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

12. Adjournment of the ASRS Board

Dr. Meredith adjourned the April 21, 2006 Board meeting at 9:47 a.m.

ARIZONA STATE RETIREMENT SYSTEM

Anne Schrode, Secretary

Date

Paul Matson, Director

Date